

## Message Text

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44

ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 CCO-00 /026 R

FRAF ED BY E:RPOATS:LVS

APPROVED BY E:CWROBINSON

EUR:JARMITAGE

S/S- MR. MOFFAT

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FM SECSTATE WASHDC

TO USDEL SECRETARY FLASH

C O N F I D E N T I A L STATE 038867 TOSEC 040055

EXDIS/ FROM ROBINSON

E.O. 11652: GDS

TAGS: ENRG, SOV

SUBJECT: SOVIET OIL AGREEMENT (ACTION MEMORANDUM FOR THE  
SECRETARY) (S/S 7603388)

REF: STATE 38738 TOSEC 40046

1. SCOWCROFT, FOLLOWING MORNING MEETING WITH GREENSPAN,  
CHENEY, HILL (FEA) AND MYSELF, INSTRUCTED HORMATS TO  
PREPARE BRIEF OPTIONS PAPER FOR PRESIDENT BY 3 P.M. TODAY  
ON WHETHER TO PROCEED WITH OIL AGREEMENT WHICH WOULD (A)  
CARRY ONLY AN IMPLICIT SOVIET COMMITMENT TO OFFER PRICES  
ATTRACTIVE ENOUGH TO ASSURE SALES TO US MARKET OF FULL  
10 MILLION TONS, AND (B) PROVIDE FOR SHIPPING RATES  
DEMONSTRABLY BENEFICIAL TO US MARITIME INDUSTRY. WOULD  
APPRECIATE YOUR RESPONSE TO RECOMMENDATION BELOW BY MID-  
AFTERNOON TODAY.

2. PAPER WILL CITE BENEFITS OF PROCEEDING INCLUDING: (A)  
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US OPTION WITHOUT OBLIGATION TO BUY; (B) SUPPLY DIVERS-

IFICATION AND INSURANCE AGAINST ARAB EMBARGO;(C) GREATER  
EFFICIENCY IN US SHIPPING INVOLVED IN GRAIN TRADE AND  
INCREASED MARITIME EARNINGS WITH CONSEQUENT REDUCTION OF  
USG SUBSIDY PAYMENTS. ARGUMENTS AGAINST PROCEEDING

INCLUDE BELIEF BY SOME PRESENT THIS MORNING THAT  
ADMINISTRATION'S INABILITY TO EXTRACT EXPLICIT PRICE  
CONCESSION FROM SOVIETS WOULD INVITE DOMESTIC POLITICAL  
CRITICISM OF WHOLE US-SOVIET RELATIONSHIP.

3. MY VIEW -- BASED ON YOUR LAST INSTRUCTION -- IS THAT  
AGREEMENT AS OUTLINED IN PARA 1 ABOVE COULD BE PRESENTED  
TO CONGRESS AND PUBLIC AS MODESTLY BENEFICIAL TO US AND  
A FURTHER STEP TOWARD OTHER MUTUALLY BENEFICIAL ECONOMIC  
RELATIONS. IF SOVIETS ACCEPT OUR LANGUAGE IN ARTICLE 3  
OF AGREEMENT, THEY WILL BE IMPLICITLY COMMITTED TO SOME  
PRICE DISCOUNTING IN ORDER TO MAKE SALES IN THIS DISTANT  
AND NEW MARKET. IF THEY ACCEPT OUR TERMS ON SHIPPING  
RATES, AGREEMENT WILL DEMONSTRABLY OFFER MEASURABLE  
BENEFITS FOR US WHICH WE WOULD NOT OTHERWISE OBTAIN.  
SOVIET REJECTION OF OUR DEMANDS ON EITHER OF THESE  
CRITICAL POINTS SHOULD LEAD TO OUR SUSPENDING NEGOTIATIONS,  
BUT WE SHOULD NOT WALK AWAY FROM NEGOTIATIONS UNTIL OR  
UNLESS SOVIETS FIRMLY TAKE AN UNACCEPTABLE POSITION ON  
THESE TWO POINTS. IF SOVIETS ACCEPT TODAY AN AGREEMENT  
CONSISTENT WITH OCTOBER LETTER OF INTENT, NOW IS NOT TIME  
TO ABORT NEGOTIATIONS. WE CAN STILL ABORT DEAL IF SHIPP-  
ING RATE NEGOTIATIONS FAIL TO PRODUCE TANGIBLE ECONOMIC  
BENEFITS.

4. SOVIETS DELAYED THIS MORNING'S MEETING, DEALING WITH  
ARTICLE 3 ISSUE, UNTIL 5 P.M. TODAY BECAUSE DELEGATION  
HAD NOT RECEIVED INSTRUCTIONS FROM MOSCOW. OUR ARTICLE 3  
LANGUAGE IS: QUOTE EACH PARTY TO THIS AGREEMENT WILL  
FACILITATE, AS IT DEEMS APPROPRIATE, COMMERCIAL TRANS-  
ACTIONS UNDER THIS AGREEMENT, AND THE PARTIES EXPECT THAT  
THE TERMS OF SUCH TRANSACTIONS WILL ASSURE THE INTERESTS  
OF BOTH PARTIES IN ACHIEVING THE VOLUME OF TRADE  
CONTEMPLATED BY THIS AGREEMENT UNQUOTE

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5. RECOMMENDATION: THAT YOU AUTHORIZE ME TO REAFFIRM  
YOUR POSITION, AS OUTLINED IN PARAGRAPH 3 ABOVE, IN THE  
SCOWCROFT PRESENTATION TO THE PRESIDENT.

APPROVE

DISAPPROVE

CLEARED: EUR:JARMITAGE INGERSOLL

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NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, SALES, PETROLEUM, MARINE TRANSPORTATION, TOSEC  
**Control Number:** S7603388  
**Copy:** SINGLE  
**Draft Date:** 18 FEB 1976  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** coburnhl  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976STATE038867  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760060-1082  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760238/aaaabgxg.tel  
**Line Count:** 116  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** 76 STATE 38738  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** coburnhl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06 MAY 2004 by BoyleJA>; APPROVED <31 AUG 2004 by coburnhl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SOVIET OIL AGREEMENT (ACTION MEMORANDUM FOR THE SECRETARY) (S/S 7603388)  
**TAGS:** ENRG, UR, US  
**To:** SECRETARY  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006